

LAW OFFICES

JACKSON & CAMPBELL, P.C.

ONE LAFAYETTE CENTRE

SUITE 300 SOUTH

1120 20TH STREET, N.W.

WASHINGTON, D.C. 20036-3437

INT'L TELEX: 64706

TELECOPIER (202) 457-1678

(202) 457-1600

BENJAMIN W. DULANY*
KENNETH WELLS PARKINSON
DANIEL WEBSTER COON*
ARTHUR C. ELGIN, JR.*
JAMES P. SCHALLER*
JO V. MORGAN, JR.*
JOHN A. NEVIUS
PATRICIA D. GURNE
NICHOLAS STILLWELL McCONNELL**
ALAN R. SWENDIMAN*
DONALD N. MEMMER*
SIDNEY C. COUSINS, JR.*
JAMES R. MICHAL*
M. ELIZABETH MEDAGLIA*
DAVID H. COX*
MICHAEL J. McMANUS*
JOHN J. BRENNAN, III**
RICHARD W. BRYAN**
DENNIS M. ETTLIN*

MARYLAND OFFICE
200 A MONROE STREET
SUITE 225
ROCKVILLE, MARYLAND 20850
(301) 340-0450

VIRGINIA OFFICE
1008 NORTH RANDOLPH STREET
SUITE 104
ARLINGTON, VIRGINIA 22201
(703) 522-1330

THOMAS SEARING JACKSON*
EDMUND D. CAMPBELL*
OF COUNSEL

CHRISTINE A. NYKIEL*
PAUL S. SCHLEIFMAN*
TIMOTHY R. DINGILIAN*
ROBERT N. KELLY
ANTOINETTE PATTERSON LeBEL
RICHARD J. DeFEO, JR.
MARY LYNN REED*
WARREN LUTZ*
ALEXANDER H. GILLESPIE
CATHY P. RUNDE*
ROBERT C. COOPER*
DEBORAH A. LAWRENCE*

* ALSO ADMITTED IN MARYLAND
* ALSO ADMITTED IN VIRGINIA
* ADMITTED IN MARYLAND ONLY
* ADMITTED IN ILLINOIS
& LOUISIANA ONLY

January 11, 1989

HAND DELIVERED

Ms. Noreta R. McGee
Office of the Secretary
Recordation Office
Interstate Commerce Commission
12th Street and Constitution
Avenue, N.W.
Washington, DC 20423

1 6161
RECORDATION NO. FILED

JAN 11 1989 - 3 15 PM

INTERSTATE COMMERCE COMMISSION

DIRECT DIAL NUMBER

457-1661

11 11 3 03 PM '89

Re: Australia and New Zealand Banking Group Limited;
Peter Maxwell Tyler and Donald Stephen Searle;
Filing of Security Agreement

Dear Ms. McGee:

In accordance with the provisions of Section 11303 of the Revised Interstate Commerce Act, 49 U.S.C. § 11303, and Part 1177 of Title 49 of the Code of Federal Regulations, we request, as special counsel for Australia and New Zealand Banking Group Limited, and Peter Maxwell Tyler and Donald Stephen Searle, that the enclosed document be recorded and filed with the Interstate Commerce Commission.

You will find enclosed herewith the original and three (3) copies of the following document to be recorded and filed:

1. Security Agreement, dated as of January 9, 1989, by and between PETER MAXWELL TYLER and DONALD STEPHEN SEARLE (collectively,

9-011A010

No. JAN 11 1989
Date 11 11 3 03 PM '89
Fee \$ 1.00

ICC Washington, D. C.

Bde

JACKSON & CAMPBELL, P.C.

Ms. Noreta R. McGee
January 11, 1989
Page Two

Mortgagor) and AUSTRALIA AND NEW
ZEALAND BANKING GROUP LIMITED
(Bank).

This Security Agreement, dated as of January 9, 1989,
by and between Peter Maxwell Tyler and Donald Stephen Searle
and Australia and New Zealand Banking Group Limited, is
intended to secure the interest of Australia and New Zealand
Banking Group Limited in the railroad car described in
Schedule A to the Security Agreement.

The parties executing this document are:

Peter Maxwell Tyler *(Mortgagor)*
14 Mabel Street
Traralgon, Victoria, AUSTRALIA

Donald Stephen Searle
"Woodrooma" Princes Highway
Traralgon, Victoria, AUSTRALIA

Mortgagee Australia and New Zealand Banking Group Limited ✓
c/o George P. Haley, Esquire
Pillsburg, Madison & Sutro
225 Bush Street
San Francisco, CA 94194

Would you please stamp, as filed, the enclosed copies
and return the enclosed copies as stamped, to our office at
your earliest possible convenience?

Thank you for your assistance in this matter.

Sincerely,

JACKSON & CAMPBELL, P.C.

Cathy P. Runde
Cathy P. Runde

CPR:cf

Enclosures

cc Mr. John Wood

Interstate Commerce Commission

Washington, D.C. 20423

1/11/89

OFFICE OF THE SECRETARY

Cathy P. Runde

Jackson & Campbell, P.C

One Lafayette Centre

Suite 300 South

1120 20th St. N.W.

Washington, D.C. 20036-3437

Dear

Ms Runde:

The enclosed document(s) was recorded pursuant to the provisions of Section 11303 of the Interstate Commerce Act, 49 U.S.C. 11303, on 1/11/89 at 3:15pm, and assigned recordation number(s). 16161

Sincerely yours,



Secretary

Enclosure(s)

FILED WITH INTERSTATE COMMERCE COMMISSION
December __, 1988 at _____
Recordation No. _____

1 6161
RECORDATION NO. _____ FILED 1288

JAN 11 1989 - 3 15 PM

INTERSTATE COMMERCE COMMISSION

SECURITY AGREEMENT

Jan 9
ber 9 THIS AGREEMENT made and entered into as of ~~December~~ *January* 9, 1988~~9~~ by and between PETER MAXWELL TYLER of 14 Mabel Street, Traralgon, Victoria, Australia and DONALD STEPHEN SEARLE of "Woodrooma" Princes Highway, Traralgon, Victoria, Australia (hereinafter collectively referred to as "Mortgagor") and AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED a _____ corporation, having a place of business at 38 Franklin Street, Traralgon, Victoria, Australia (hereinafter referred to as "Bank"),

W I T N E S S E T H:

Whereas pursuant to that certain Goods Mortgage dated July 24, 1987 between the parties hereto (the "Mortgage Agreement", all terms defined in the Mortgage Agreement shall have the same meaning when used herein unless the context requires otherwise) and by mutual agreement of the parties and for good and valuable consideration, Mortgagor has agreed to grant to Bank a security interest in and to the property described in paragraph 1 hereof for the purpose of securing the payment of the principal of and interest on all outstanding indebtedness and all other amounts owing under any loans secured by the Mortgage Agreement (hereinafter referred to as "Loans"), the performance by Mortgagor of all its other obligations thereunder, the performance by Mortgagor of all its obligations under this Security Agreement and all other present and future indebtedness, obligations and liabilities of Mortgagor to Bank (the indebtedness, obligations and liabilities described above as any thereof may be renewed or extended, or as any instrument evidencing or agreement or document governing or securing any thereof may be amended or modified, being sometimes hereinafter referred to collectively as "Secured Obligations"):

N o w, T h e r e f o r e, the parties hereto agree as follows:

1. Grant of Security Interest, etc. In order to secure the due and punctual payment and performance of the Secured Obligations, Mortgagor hereby confirms the security interest granted by Mortgagor to Bank pursuant to the Mortgage Agreement and hereby grants to Bank a continuing security interest in the following (referred to herein as the "Collateral"):

(a) The goods set out in Schedule A hereto and any and all stock in trade, business fixtures and fittings whatsoever whether of a like or different nature to those described in Schedule A hereto which shall at any time hereafter belong to Mortgagor (to the extent that legal title therein shall pass to Bank or Mortgagor bringing such goods, fixtures and fittings within the foregoing description), all of which are hereinafter comprised in and referred to under the designation "the Goods";

(b) The goodwill of any trade or business which the Mortgagor may carry on and the trade name or style of any such business;

(c) All books of account, promissory notes, bills of exchange and other instruments, accounts, contract rights, general intangibles representing or evidencing debts due or which may become due to Mortgagor or chattel paper in connection with the Goods or any business the goodwill whereof is hereby assigned or intended so to be;

(d) Each and every leasehold interest, tenancy or right to possession of the Goods or any part thereof now or hereafter at any time during the continuance of this security vested in the Mortgagor;

(e) any and all products and proceeds of the foregoing, including, without limitation, any proceeds of any type acquired with cash proceeds.

Unless otherwise defined herein or unless the context otherwise requires, all terms used herein which are defined in the Uniform Commercial Code shall have the meanings therein stated. The security interests herein granted are granted as security only and shall not subject Bank to, or transfer or in any way affect or modify, any obligation or liability of Mortgagor under any of the Collateral or any transactions which give rise thereto. This Security Agreement shall supplement the Mortgage Agreement and is not intended to replace the Security Agreement.

2. Certain Representations and Covenants of Mortgagor. Mortgagor represents, warrants and covenants that:

(a) Title to Goods, Liens, etc. This Security Agreement and the Mortgage Agreement constitute and at all times will constitute a legal, valid, first, binding perfected security interest in the Collateral, enforceable in accordance with its terms. Mortgagor will not create, or suffer to be created or to exist, any security interest in,

or any mortgage, pledge, lien, charge or encumbrance upon the Collateral or any part thereof (other than the security interest created hereby and by the Mortgage Agreement); or, without the written consent of Bank, sell, contract to sell, transfer or otherwise dispose of Collateral, even though Bank has a security interest in proceeds of such Collateral.

(b) Accounts, Chattel Paper, Etc. As to Collateral which are instruments, accounts, contract rights, chattel paper or general intangibles, all such Collateral is genuine, enforceable in accordance with its terms, free from default, prepayment, defense and conditions precedent (except as disclosed to and accepted by Bank in writing), all persons appearing to be obligated on such Collateral have authority and capacity to contract.

(c) Preservation of Goods.

(i) Mortgagor shall use the Goods only in the manner for which they were designed and intended and so as to subject them only to ordinary wear and tear. Mortgagor shall, at its own cost and expense, maintain and keep the Goods, while in service, in good order, condition and repair, ordinary wear and tear excepted, but in all cases usable in the manner for which they were designed and intended and in compliance with the Interchange Rules for railcars operating on the railroads, and in any event at the same level of maintenance at which Mortgagor keeps equipment which it owns or leases similar in nature to the Goods. Mortgagor may withdraw from service any Goods, at and for any time and for any reason; provided, however, that Mortgagor shall remain responsible for the preservation, safekeeping, use, operation and storage of such goods. Mortgagor shall not modify any Goods without the prior written authority and approval of Bank. Any parts installed or replacements made by Mortgagor upon any Goods pursuant to its obligation to maintain and keep such Goods in good order, condition and repair under this paragraph shall be considered accessions to such Goods and title thereto shall be immediately vested in Bank without cost or expense to Bank. Mortgagor shall make no other additions or improvements to any Goods unless the same are readily removable without causing damage to such Goods. Title to any such readily removable additions or improvements shall remain with Mortgagor. If Mortgagor shall at its cost cause such readily removable additions or improvements to be made to any Goods, Mortgagor agrees that it will, prior to

the return of such Goods to Bank hereunder, remove the same at its own expense without causing damage to such Mortgagor and repair all damages, if any, resulting from such removal.

(ii) Mortgagor shall maintain, or cause to be maintained, and keep in force insurance in such amounts and against such risks as provided in the Mortgage Agreement.

(iii) Mortgagor shall promptly notify Bank in writing of any event which materially and adversely affects the value of the Goods, the ability of Mortgagor or Bank to lease or dispose of any Goods, or Bank's rights and remedies in relation thereto, including, but not limited to, the levy of any legal process against any Goods and the adoption of any marketing order, arrangement or procedure affecting any Goods, whether governmental or otherwise.

(iv) If any Goods are or become the subject of any negotiable document of title, including any warehouse receipt or bill of lading, or is or becomes evidenced by any instrument, promptly notify Bank of such fact and deliver such document or instrument to Bank at its request.

(d) Identification. Mortgagor will cause each of the flaw detection modules described in Schedule A hereto (hereinafter referred to as "Modules") to be kept numbered at all times with the identifying number therefor (and as reported to Bank for other Modules) and will use its best efforts to keep and maintain plainly, distinctively, permanently and conspicuously a standard decalcomania marking on each of such Modules the following words: "THIS MODULE IS SUBJECT TO A SECURITY INTEREST IN FAVOR OF AUSTRALIA AND NEW ZEALAND BANKING GROUP LIMITED, VICTORIA, AUSTRALIA" with appropriate changes thereof and additions thereto, upon notice from Bank, as from time to time may be required by law or desirable in the opinion of Bank in order to protect the security interest of Bank in any such Modules. Mortgagor will replace any such names and word or words which may be removed, defaced or destroyed. Mortgagor will not change the identifying number of any of the Modules except in accordance with a statement of new identifying numbers to be substituted therefor, which statement previously shall have been delivered to Bank and filed in all public offices reasonably requested by Bank. Whenever new or additional Modules are acquired by Mortgagor in which Bank has a security interest, Schedule A hereto shall be supplemented to include such new or additional Modules.

(e) Chief Executive Office. Mortgagor's chief executive office and location at which it keeps its records concerning the Collateral is 1st Floor 6-8 Grey Street

Traralgon Victoria Australia.
Mortgagor's Chief executive office in the United States and location within the United States at which it keeps its records concerning the collateral is not yet established
- to be advised

Mortgagor shall not change any of the foregoing without first giving Bank thirty (30) days' written notice.

(f) Other Covenants. Mortgagor covenants that it will comply with all provisions of the Mortgage Agreement in any way respecting the Collateral, this Security Agreement or the security interests hereby created.

3. Disposition of Inventory. Unless and until a Default shall have occurred and be continuing, Mortgagor shall remain in possession of the Modules, to lease and use the same in the ordinary course of its business and in a manner not inconsistent with this Security Agreement, the Mortgage Agreement, or the terms of any insurance policy relating thereto, and shall continue to collect all amounts due or to become due Mortgagor under the Collateral, and in connection therewith may take (and, at Bank's direction, shall take) such actions as Mortgagor or Bank may deem necessary or advisable or convenient or proper for the enforcement, collection or adjustment of any such Collateral; provided, however, that Mortgagor shall cause all amounts due and to become due under the Collateral to be remitted as provided in paragraph 4 hereof and, provided further, that Bank shall have the right, upon Default or when Bank reasonably believes that the amount that it could realize from the sale of the Collateral pursuant to the terms hereof is less than the outstanding principal balance plus accrued and unpaid interest on the Secured Obligations, after written notice to Mortgagor of its intention to do so, to notify the account debtors or debtors obligated under any Collateral of Bank's security interest therein and to direct such account debtors or other debtors to make payment of all amounts due or to become due to Mortgagor thereunder directly to Bank. In the event that Mortgagor receives any proceeds of insurance as a result of the destruction of or damage to any Collateral, Mortgagor shall, at the option of Bank, (i) use such proceeds to replace or repair such Collateral, or (ii) pay such proceeds to Bank to be applied (if no Default has occurred and is continuing) first to accrued and unpaid interest of the Secured Obligation and, second, to unpaid principal of the Secured Obligations (without any prepayment premium) in such manner as Bank may designate, or (if a Default has occurred and is continuing) in the manner set forth in paragraph 8 hereof.

4. Collection of Accounts and Chattel Paper; Remittances. Mortgagor shall deposit all cash, checks, drafts, orders and other instruments for the payment of money and other cash proceeds received by Mortgagor on account of any account, chattel paper, contract right or general intangible or as a result of the lease or other disposition of Goods whether received by Mortgagor in the exercise of its collection rights hereunder or otherwise, in an account of Mortgagor with a bank approved by Bank in the form received (properly endorsed for collection) as soon as reasonably practicable following receipt, to be held as security for the payment of the Secured Obligations and applied as provided in paragraph 8 hereof; provided, however, that prior to the occurrence and continuance of a Default and subject to the provisions of the Mortgage Agreement, Mortgagor shall have the unrestricted use of any funds so deposited and may exercise deposit and withdrawal rights with respect thereto in accordance with the contract terms applicable thereto.

5. Recordkeeping; etc. Mortgagor will at all times keep accurate and complete records with respect to the Collateral, including (but not limited to) a record of all payments and proceeds received therefrom or as a result of the lease or other disposition of Goods and of all credits granted and of any Goods returned, and Bank or its representatives shall have the right at any reasonable time and from time to time to call at Mortgagor's place or places of business where Collateral may be held or located or its records relating thereto may be kept and to inspect such Collateral and to examine or cause to be examined such records and to make extracts therefrom or copies thereof. At Bank's request, Mortgagor will mark or stamp conspicuously its accounts and records (including each of its individual ledger sheets, cards and other records) with a legend, in form and content satisfactory to Bank, indicating that all Collateral are subject to a security interest granted to Bank. Upon request by Bank, Mortgagor shall provide Bank with any or all of the following, in each case as of the most recent date for which such information is available: (i) a listing by serial number of all Modules, (ii) whether each of such Modules is subject to a lease that is effective, (iii) for all Modules that are subject to such a lease, the lessee and terms of the lease, (iv) for all Modules that are not subject to such a lease, the location of such Modules, (v) a statement of the reasons why any Modules that were included in a preceding listing but are not included in the current listing are not included, (vi) a statement of the sources of any Modules included in the present listing, but not included in the preceding listing, and (vii) whether any chattel paper that is part of the Collateral is in material default. The accuracy of each

Goods Status Report and any other information provided to Bank pursuant to this paragraph 5 shall be certified by Mortgagor.

6. Default. For all purposes of this Security Agreement, any of the following shall be deemed a default (hereinafter referred to as "Default"), whether such occurrence shall be voluntary or involuntary or come about or be effected by operation of law or otherwise:

(a) any payment of principal or interest on any loans secured by the Mortgage Agreement is not made when and as such payment is due;

(b) Mortgagor fails to perform or observe any covenant contained in this Security Agreement, or any representation or warranty contained in this Security Agreement is false or incorrect;

(c) Mortgagor fails to comply with any other provision of this Security Agreement and such failure continues for more than thirty (30) days;

(d) Mortgagor shall (i) become insolvent, or cease, be unable, or admit in writing its inability, to pay its debts as they mature, or make a general assignment for the benefit of, or enter into any composition or arrangement with, creditors; (ii) apply for, or consent (by admission of material allegations of a petition or otherwise) to, the appointment of a receiver, trustee or liquidator of it or of a substantial part of its assets, or authorize such application or consent (or proceedings seeking such appointment shall be commenced without such authorization, consent or application against it and continue undismissed for a period of ninety (90) days); (iii) authorize or file a voluntary petition under or apply for or consent (by admission of material allegations of a petition or otherwise) to the application of any bankruptcy, reorganization, readjustment of debt, insolvency, dissolution, liquidation or other similar law of any jurisdiction, or authorize such application or consent (or proceedings to such end shall be instituted against it without such authorization, application or consent and remain undismissed for ninety (90) days or result in the entry of an order for relief or adjudication of insolvency); or (iv) permit or suffer all or any substantial part of its property to be sequestered or attached by court order and such order remain undismissed for ninety (90) days; or

(e) final judgment for the payment of money in excess of five thousand U.S. dollars (US\$5,000) in the case of Mortgagor shall be rendered against Mortgagor and shall

remain undischarged for a period of thirty (30) days during which execution shall not be effectively stayed;

then, unless any such Events of Default shall have been remedied or waived in writing by Bank, at the option of Bank, any loans secured by the Mortgage Agreement, together with the interest accrued thereon, shall forthwith become and be due and payable, without any other presentment, demand, protest or notice of any kind, all of which are hereby expressly waived. Mortgagor will forthwith pay to Bank the entire principal of and interest accrued on said loans.

7. Remedies. Upon the occurrence of any Default, Bank shall have, in addition to all other rights and remedies given it by the Mortgage Agreement, this Security Agreement or otherwise by law or equity, the rights and remedies of a secured party under the Uniform Commercial Code as enacted in any jurisdiction in which any Collateral may be located. Without limiting the generality of the foregoing and except as applicable law may otherwise require, notwithstanding the following agreements, waivers, authorizations and ratifications, all of the following shall apply:

(a) Bank may immediately, without demand or advertisement or notice of intention to sell or of time or place of sale or of redemption (except as herein otherwise provided), and without prior judicial hearing or other notice or demand of any kind, all of which are hereby expressly waived, sell at public or private sale or otherwise realize upon the whole or from time to time any part of the Collateral or any interest which Mortgagor may have therein. If notice of any sale or other disposition is required by law to be given, Mortgagor hereby agrees that notice sent at least five (5) days before the time of any intended public sale, or of the time after which any private sale or other disposition of the Collateral is to be made, shall be reasonable notice of such sale or other disposition. Mortgagor also agrees to assemble the Collateral at such place or places as Bank may designate by written notice. Mortgagor hereby waives any right to have the Collateral sold present at the place of sale or in view of persons attending the sale. At any such sale or other disposition, Bank may purchase the whole or any part of the Collateral sold, free from any right of redemption on the part of Mortgagor, which right is hereby waived and released;

(b) Bank may enter upon the premises of Mortgagor, exclude Mortgagor therefrom and take immediate possession of the Collateral, either personally or by means

of a receiver appointed by a court therefor, and may, at Bank's option, use, operate, manage and control the Collateral in any lawful manner and may collect and receive all rents, income, revenue, earnings, issues and profits therefrom, and may maintain, repair, renovate, alter or remove the Collateral as Bank may determine in its discretion, and any moneys so collected or received by Bank shall be applied to, or may be accumulated for application upon, the Secured Obligations as provided in paragraph 8 hereof. Bank is hereby irrevocably appointed the true and lawful attorney of Mortgagor in its name and stead to make all necessary transfers and conveyances of the Collateral so sold, as herein provided, and to make, execute and deliver all necessary instruments or assignments, conveyances and transfers in connection therewith. Mortgagor ratifies and confirms all that Bank shall lawfully do by virtue hereof. Mortgagor also agrees to execute and deliver to such purchaser or purchasers at any sale held hereunder, any instrument or instruments required by Bank, to confirm to such purchaser or purchasers all the right, title and interest of Mortgagor in and to the Collateral so sold;

(c) Any assignment or sale made by Bank under or by virtue of this Security Agreement, shall operate to divest Mortgagor of all right, title, interest, claim and demand it may have in and to the Goods so assigned or sold;

(d) Mortgagor agrees, to the full extent that it may lawfully so agree, that neither it nor anyone claiming through or under it will set up, claim or seek to take advantage of any appraisement, valuation, stay, extension or redemption law now or hereafter in force in any locality where any Collateral may be situated, in order to prevent, hinder or delay the enforcement or foreclosure of the lien and security interest of this Security Agreement, or the absolute sale of the Collateral or any part thereof, or the final and absolute putting into possession thereof, immediately after such sale, of the purchaser thereat, and Mortgagor and all who may at any time claim through or under it, hereby waive to the full extent that it may be lawful so to do, the benefit of all such laws, and any and all rights to have the Collateral marshalled upon any such sale, and agree that Bank or any court having jurisdiction to foreclose Bank's security interest therein may assign or sell the Collateral as an entirety or in such parcels as Bank may determine;

(e) If Bank takes possession of any of the Collateral and sells or proposes to sell or otherwise dispose of the same, Bank is authorized to use any trademark, trade name or trade style utilized by Mortgagor without compensation to Mortgagor.

8. Application of Proceeds. All proceeds of the sale of Collateral by Bank hereunder and all other moneys received by Bank pursuant to the terms of this Security Agreement (whether through the exercise by Bank of its rights of collection of accounts and chattel paper or otherwise) shall be applied as follows:

First, to the payment of all expenses incurred by Bank in enforcing any remedies hereunder or under the Mortgage Agreement or in realizing upon any Collateral, including but not limited to the expense of taking, advertising, processing, preparing and storing any Collateral to be sold, all court costs and the reasonable fees of counsel incurred in connection therewith, and to the repayment of all advances made by Bank hereunder for the account of Mortgagor and the payment of all costs and expenses paid or incurred by Bank in connection with this Security Agreement or the Mortgage Agreement or the exercise of any right or remedy hereunder or thereunder, to the extent that such advances, costs and expenses shall not theretofore have been reimbursed to Bank;

Second, to the payment of the principal and interest of the Secured Obligations and premium (if any):

Third, to the payment of all other present and future indebtedness, obligations and liabilities of Mortgagor to Bank owing on such date; and

Fourth, any surplus to be paid to Mortgagor, its successors, assigns or subordinate secured parties, or as a court of competent jurisdiction may direct;

provided, however, that the time of application of any such proceeds or moneys shall be at the absolute discretion of Bank.

9. Authorization; Further Assurances. Mortgagor hereby irrevocably authorizes Bank, upon the occurrence of a Default or upon Bank's notification of account debtors under the second proviso to paragraph 3 hereof, to endorse or sign its name on all collections, receipts or other documents, take possession of and open the mail addressed to Mortgagor, and remove therefrom anything which constitutes Collateral. In addition, Bank may, but shall not be required to, discharge liens, security interests or other encumbrances at any time levied or placed on the Collateral, pay for insurance on the Collateral, and pay for the maintenance and

preservation thereof, and any expenditures by Bank therefor shall be reimbursed to Bank by Mortgagor and shall be secured obligations hereunder. Mortgagor at its expense will warrant and defend the title to the Collateral against the claims of all third parties, and will execute and deliver to Bank all Collateral and all such financing statements, specific assignments or other documents or instruments and take all such further action as from time to time may be requested by Bank for the better assuring and confirming to Bank all or any part of the Collateral or to maintain the security interest created hereby as a first perfected security interest in the Collateral or to facilitate the carrying out of the Security Agreement or to secure the rights and remedies of Bank. Mortgagor hereby irrevocably appoints Bank its attorney in fact and agent with full power of substitution and resubstitution for it and in its name, place and stead, in any and all capacities, if Mortgagor should fail to perform hereunder, to (i) do any and all acts which Mortgagor is obligated hereby to do, to exercise such rights as Mortgagor may exercise, to give notice of Bank's security interest in and to collect the Collateral and any proceeds thereof, and to execute and file in Mortgagor's name any financing statements and amendments thereto required to perfect Bank's security interests hereunder, for the purpose of protecting and preserving the Goods and Bank's rights hereunder, as and to the extent otherwise provided herein, and (ii) otherwise grants unto Bank full power and authority to do and perform each and every act and thing whatsoever requisite and necessary to be done in the premises, as fully to all intents and purposes as Mortgagor might or could do, if personally present, hereby ratifying all that Bank shall do or cause to be done by virtue hereof.

10. Miscellaneous.

(a) Notices. All notices and other communications under this Security Agreement shall be sent to the addresses first above written, or to such other addresses as Mortgagor and Bank may notify each other in writing, by registered air mail, or by telex or facsimile, promptly confirmed by registered air mail. When such letter, telex or facsimile is sent as provided for above, such notice shall be deemed to have been given when it has arrived at the addressee.

(b) Successors and Assigns. All the provisions of this Security Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto.

(c) Descriptive Headings. The descriptive headings of the several paragraphs of this Security Agreement are inserted for convenience only and do not constitute a part hereof.

(d) No Obligations Assumed. Bank does not assume any of the obligations of Mortgagor arising under any of the Collateral assigned hereby or any agreement in respect thereto, and Mortgagor hereby covenants and agrees to keep and perform all of its obligations thereunder or with respect thereto.

11. Governing Law. This Security Agreement shall be construed and enforced in accordance with, and the rights of the parties and the validity of this Security Agreement shall be governed by, the laws of the State of California, except as otherwise expressly provided herein and except that remedies provided by the laws of any state other than California are governed by the laws of such state.

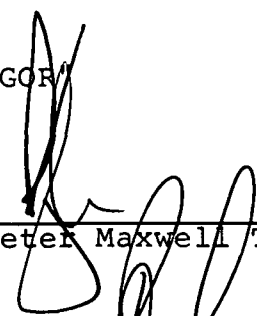
12. Severability. In the event that any one or more provisions contained in this Security Agreement should for any reason be held to be unenforceable in any respect under the laws of the United States or any state, such unenforceability shall not affect any other provision hereof, and this Security Agreement shall be construed in the applicable jurisdiction as if such unenforceable provision had not been contained herein.

13. Counterpart. This Security Agreement may be executed simultaneously in two or more counterparts, each of

which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, Mortgagor and Bank have duly executed and delivered this Security Agreement as of the date first above written.

"MORTGAGOR"



Peter Maxwell Tyler



Donald Stephen Searle

"BANK"

AUSTRALIA AND NEW ZEALAND
BANKING GROUP LIMITED


By MILES ARTHUR TILLER

Its MANAGER BRANCH SECURITIES

DEPARTMENT
Pursuant to Power of Attorney
Dated 18/2/1980.

SCHEDULE A

Ultra Rail Flaw Detection Serial No. 9007.

Standard Gauge UTV Comprising Body and Chassis Drive Train
Power Generation Flaw Detection Modules and On Board Com-
puter and Recording System.

FLAW DETECTION MODULES

<u>DESCRIPTION</u>		<u>SPARES ON BOARD</u>
Transmitter	US-FG-8	2
Gate Monitor	US-MC-6	1
Analogue Amp	US-AA-7	2
Receiver Amp	US-AMA-9	3
Threshold	US-TH-3	1
Buffer	US-BC-123	1
Audible Alarm	US-AAM-13	0
Pulse Count	US-PC-18	1
Entry Echo Timing	US-EG-1	1
Rail Mark	US-RM-1	0
Alarm Detect	US-AD-7	2
Time Base Generator	US-TBG-3	1
Channel Select		1
Channel Select Mechanism		1
Extension Cord		1
Shaft Encoded		2

<u>PROBE WHEELS</u>	<u>QUANTITY ON BOARD</u>
40 Wheels	3
70 Wheels	3
Calipers	6

ACKNOWLEDGEMENT

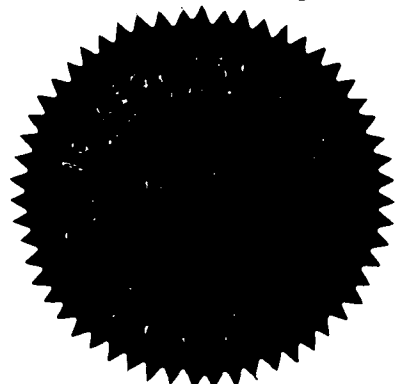
State of Victoria)
)
City of Melbourne) ss.

On this 9TH day of January, 1989, before me personally appeared Miles Arthur Tiller, to me known to be the person who executed the foregoing instrument as Manager Branch Securities Department of Australia and New Zealand Banking Group Limited, a corporation incorporated in the State of Victoria, Australia, who being duly sworn, acknowledged to and before me that he executed the foregoing instrument on behalf of the said corporation as the duly appointed attorney of the said corporation pursuant to a Power of Attorney dated 18th February 1980, that he holds the position of Manager Branch Securities Department of the said corporation, that he has no notice of revocation of the said Power of Attorney and that he executed the foregoing instrument on behalf of the said corporation as his free act and deed.



Notary Public

My Commission is lifelong



ACKNOWLEDGEMENT

State of Victoria)
) ss.
City of Melbourne)

On this 22nd day of December, 1988, before me personally appeared Peter Maxwell Tyler, to me known to be the person described in and who executed the foregoing instrument, and he acknowledged that he executed the same as his free act and deed.

[Handwritten signature]
11/15
x

[Handwritten signature]

Notary Public

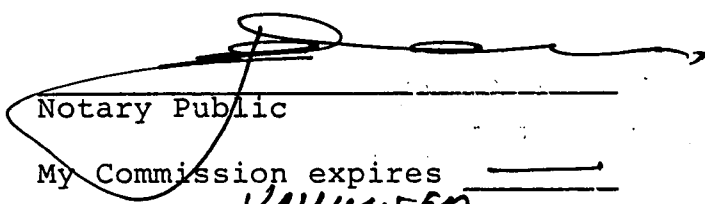
My Commission expires _____

UNLIMITED

ACKNOWLEDGEMENT

State of Victoria)
) ss.
City of Melbourne)

On this 22nd day of December, 1988, before me personally appeared Donald Stephen Searle, to me known to be the person described in and who executed the foregoing instrument, and he acknowledged that he executed the same as his free act and deed.



Notary Public

My Commission expires _____
UNLIMITED